

SENIOR CITIZENS DEPARTMENT

Financial Related Audit

January 2002




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AUDITOR GENERAL
CITY OF DETROIT

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MEMORANDUM

DATE: March 12, 2002

TO: Mayor Kwame M. Kilpatrick
Honorable City Council

FROM: Joseph L. Harris
Auditor General 

RE: Financial Related Audit of the Senior Citizens Department

Attached for your review is our report on the financial related audit of the Senior Citizens Department.

This report contains our audit purpose, objectives, scope, and methodology; background; our finding and recommendation, and an attachment containing the Senior Citizens Department's response to the finding and recommendation.

A copy of this report has been provided to the Senior Citizens Department.

The Department's cooperation and professionalism were outstanding during the audit. The staff, that we interviewed, worked with, and observed, were very cooperative and demonstrated a high degree of professionalism and dedication to their mission. We appreciate the cooperation and assistance received from the employees of the Senior Citizens Department.

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TABLE OF CONTENTS

	<u>Page</u>
Audit Purpose, Objectives, Scope, and Methodology	1
Background	2
Finding and Recommendation	
1. Reconciling Schedules Needed to Link DRMS Data to Grant Reports	3
Department Response to Finding and Recommendation	Attachment

AUDIT PURPOSE, OBJECTIVES, SCOPE AND METHODOLOGY

Audit Purpose

This audit was performed as part of our Charter mandate to make audits of the financial transactions of all City agencies. The intention of the audit report is to provide a recommendation, which if implemented by the Senior Citizens Department would achieve improved internal controls and ensure the integrity of the financial reports submitted to grantors.

Audit Objectives

Our financial related audit of the Senior Citizens Department had the following objectives:

1. To assess the Department's internal controls relating to
 - Reliability and integrity of information
 - Safeguarding of assets
 - Compliance with policies, plans, procedures, laws and regulations
2. To determine whether the Department has adequate internal accounting controls for its payroll and disbursements.

Audit Scope

We reviewed, tested, and evaluated Senior Citizens' internal controls for payroll and grant related disbursements. We examined a sample of transactions for the period July 1, 2000 through September 30, 2001. We interviewed Department employees and management. We also determined the status of each prior audit finding.

The audit was conducted in accordance with the Government Auditing Standards issued by the Comptroller General of the United States, except for the completion of an external quality review of the Office of the Auditor General within the last three years, and accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Audit Methodology

To accomplish our audit objective, our audit work included the following:

- We reviewed Department directives, policies, and procedures, and interviewed Department management and personnel to gain an understanding of the Senior Citizens Department's internal controls.
- We reviewed grant agreements with the Detroit Area Agency on Aging and the US Department of Labor.
- We evaluated internal controls for payroll and grant related disbursements.
- We examined a judgmental sample of transactions that we considered satisfactory to achieve our objectives.

BACKGROUND

The mission of the Senior Citizens Department (Department) is to serve as an advocate, planning, research, monitoring and coordinating department, and to provide direct and indirect service, in order to ensure that senior citizen persons attain and/or maintain lifelong dignity and independence.

The Department provides technical assistance to other City Departments and other public and private agencies in the area of needs assessment and program planning for senior citizens services. In addition, the Department provides information, referral and personal assistance in problem solving to individual elderly residents of Detroit. Furthermore, the Department provides informational materials to individuals, groups and other agencies. The Department is an advocate for senior citizens' concerns and problems with City agencies and other public and quasi-public agencies and organizations.

By ordinance, the Mayor's Senior Citizens Commission serves as an advisory council to the Department. The Commission advises the Department and the Mayor on senior citizens' issues, problems and concerns. In concert with the Director, the Commission recommends actions and strategies to address the needs of senior residents and develops and submits an Annual Report to the Mayor. There are twelve members on the Commission of which the Mayor appoints eight members who then appoint the remaining four members.

The Department has three divisions, which are Senior Citizens Advocacy, Information and Referral, and Senior Aides.

The Senior Citizens Advocacy Division includes the Mayor's Senior Citizens Commission, Planning/Research, Education/Advocacy, and Administration. Planning/Research provides technical assistance by performing, researching and planning activities as it relates to services and resources for seniors; develops reports on housing, health services, transportation, long and short term care, assessment reports of services, and other concerns which may impact city senior residents. Education/Advocacy addresses the needs and concerns of the elderly on behalf of the senior citizens and with the support of the Commission. Administration manages Department functions through staff and system development, reporting and interdepartmental coordination.

The Information and Referral Division provides telephone and walk-in information about senior oriented services and assistance. It also provides appropriate referral assistance as deemed necessary to ensure that services are accessible. These information and referral services are provided to seniors, family members and concerned persons throughout the City of Detroit.

The Senior Aides Program is designed to train or retrain low income adults over the age of 55 to work in today's business world. Through training, seniors learn office and workplace skills to equip them to work in non-profit and government organizations. Work assignments range from serving as receptionists and secretaries to working as health aides and childcare assistants.

The Senior Citizens Department is a general fund agency with a budget for both fiscal years 2000-01 and 2001-02 of approximately \$2.2 million.

FINDINGS AND RECOMMENDATIONS

1. Reconciling Schedules Needed to Link DRMS Data to Grant Reports

Two programs within the Senior Citizens Department of the City of Detroit (Information and Referral Division and the Senior Aides Program) receive grants to finance program initiatives. The Information and Referral Division receives funding from the Detroit Area Agency on Aging, and the Senior Aides Program receives funding from the US Department of Labor, administered by the National Senior Citizens Education and Research Center. The Department submits financial reports to each grantor, providing detailed information on the expenditure of grant funds, and in the case of the Senior Aides Program, requesting reimbursement for expenditures.

During our review of the financial reports for both of the above noted programs, we were unable to agree expenditures reported to the grantors to general ledger reports generated from DRMS (the City's general ledger system). This is due to the Department preparing financial reports using source documents from transactions rather than relying on DRMS after all transactions have been input into the general ledger, and deducting for unallowable expenditures and other reconciling items.

Not using DRMS as the basis for preparing reports could result in the use of incorrect information, reporting expenditures in the wrong period, incurring expenditures in excess of budgeted amounts, and minimize the reliability and accuracy of financial information for these programs. Additionally, there is a possibility of understating expenditures to grantors that may be allowable for reimbursement.

DRMS should be the initial source of information for preparing financial reports, and the Department should prepare reconciliations between DRMS and the financial reports. Such reconciliations should indicate how the information per the financial reports deviates from DRMS. Reconciliations would increase assurance that amounts are correctly reported, and ensure that the integrity of the financial reports submitted to grantors is maintained.

The Department should develop procedures to ensure that all amounts reported in the financial reports for both programs are obtained from the general ledger, and that any unallowable costs or reconciling items not included in the financial reports are properly documented.



CITY OF DETROIT
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ATTACHMENT

March 8, 2002

Joseph L. Harris, Auditor General
Office of the Auditor General
2 Woodward Avenue
Coleman A. Young Municipal Center, Room 208
Detroit, Michigan 48226

Dear Mr. Harris:

The following presents the Senior Citizens Department's response for the indicated finding and related recommendation included in the January 2002 financial related audit of the Department, as prepared by the Office of the Auditor General.

Finding No. 1. Reconciling Schedules Needed to Link DRMS Data to Grant Reports:

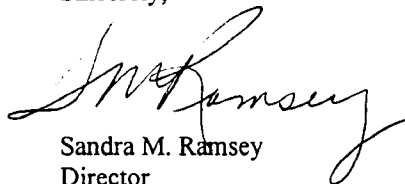
The Department should develop procedures to ensure that all amounts reported in the financial reports for both programs are obtained from the general ledger, and that any unallowable costs or reconciling items not included in the financial reports are properly documented.

Department's Response:

The Senior Citizens Department has begun steps to ensure the proper documentation of grant funds. The department's fiscal unit head has met with DRMS tech support to facilitate proper award set-ups for each years I & A and Senior AIDE grants. Proper setup of awards and accounting flex-fields should minimize some of the prior accounts payable and general ledger problems experienced by the department.

Monthly reports and cash requests submitted to Detroit Area Agency on Aging, and the National Senior Citizens Education and Research Center are the responsibility of the departments' senior governmental analyst. These reports are based on personnel costs (PPS reports) and vendor invoicing. The fiscal unit head will be responsible for reconciling transactions from regularly run DRMS general ledger reports to the financial reports submitted to grantors. Journal entries for any reconciling or disallowed costs will be prepared by the fiscal head.

Sincerely,



Sandra M. Ramsey
Director